



United States  
Department of  
Agriculture

Risk  
Management  
Agency

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**BULLETIN NO.: MGR-09-003**

**TO:** All Approved Insurance Providers  
All Risk Management Agency Field Offices  
All Other Interested Parties

**FROM:** William J. Murphy /s/ William J. Murphy 2/26/2009  
Acting Administrator

**SUBJECT:** Actual Production History (APH) Reviews and Claims for Indemnity

**BACKGROUND:**

Three issues have been raised with the Risk Management Agency (RMA) regarding APH reviews. These issues are:

1. Whether the actual yield must be revised when the percentage difference between the actual yield reported by the insured and the determined actual yield is within the established tolerance;
2. Correcting approved yields as a result of differences exceeding the established tolerance; and
3. Whether an APH yield tolerance applies in a claim situation.

**APH Reviews:**

All required APH reviews are conducted in accordance with section III.C.(2) of Appendix IV of the Standard Reinsurance Agreement (SRA). Approved insurance providers (AIPs) are required to review “those Category B and C eligible crop insurance contracts, as specified in the procedures, with a unit having a newly certified yield equal to or greater than 150 percent of the prior years’ approved APH yield, if the database contains 3 or more years of actual records.” The AIP must obtain the production records for the unit and compare it to the yield certified by the producer. If the difference exceeds the established tolerance, a revised production report is required as result of an erroneous yield certification.

Tolerances are stated in terms of percent difference of the approved APH yield. The Percentile difference is calculated by dividing the yield certified by the producer by unit by practice/type/variety requiring separate APH yields, and the actual yield calculated by the reviewer (see attachment).



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**For non-loss units**, the yield determined to be correct based on the production records, if different than the yield certified by the insured, must be used for APH purposes. However, there is a tolerance for determining the crop year for which a production report must be revised (current or following crop year). If the approved APH yield determined to be correct by the reviewer and the approved APH yield (item 21 of the APH Form) for the current crop year indicates a difference greater than the established tolerance; the approved APH yield is revised for the current crop year. If the percentile difference is less than the established tolerance, the correction to the approved APH yield (item 21) may be made for the current crop year or the following crop year.

### **Required APH Reviews and Corrections in a Claim Situation**

There is no tolerance for correcting erroneous yield certifications on loss units. In a claim situation, an APH is reviewed for accuracy (no tolerance) and any discrepancy between reported and determined yields are corrected and the policy provisions regarding misreporting, sections 3(e) and (f) and 6(g) and (h) of the Common Crop Insurance Policy Basic Provisions, are applied accordingly. The tolerances are irrelevant to the misreporting provisions in section 6(g) of the Basic Provisions because actual liability must be determined. The only issue is whether the actual liability exceeds the standards contained in section 6(g)(2). If the standards are exceeded, the adjustments contained in section 6(g)(2) must be made.

When a crop policy has multiple units and some of the units have losses (loss units) and some do not (non-loss units), the APH established tolerance only applies to the non-loss units. However, it is acceptable for the approved insurance provider (AIP) at its discretion to correct the non-loss unit APH yield for the current year.

For mandatory \$100,000 plus claim reviews required by section III.A.(18) of Appendix IV, all information supporting the production guarantee and the loss must be reviewed, and any error must be corrected. This would include the APH.

### **ACTION:**

When conducting APH reviews, AIPs must ensure that FCIC established tolerances are applied for non-loss units. When completing claims for indemnity, AIPs must ensure APH discrepancies between the insured's reported yield and the reviewer's determined actual yield are corrected for loss units without regard to FCIC established tolerances.

This advisory does not change or modify any existing policy or procedure. It is intended to alert AIPs of concerns received by RMA and to ensure consistent application of existing provisions contained in the Basic Provisions, FCIC 18010 Crop Insurance Handbook and the SRA.

### **DISPOSAL:**

This memorandum will remain in effect until December 31, 2010.

## ATTACHMENT

Tolerances are established for each crop category. Tolerances are the percentile difference between: (1) The actual yield certified for a crop year and the actual yield determined to be correct by the reviewer or (2) the approved APH yield and the correct APH yield. To determine the percentile difference between the applicable yields for (1) or (2) above, divide the difference between the two yields by the corrected yield. Calculate a separate percentile difference for each actual yield certified for a crop year (which is being reviewed) and each approved APH yield (unit, practice, type, etc.). If the insured submits information on any report that results in under reported or over reported liability, the Misreported Information Factor (MIF) or the Liability Adjustment Factor (LAF) may apply.

Review of the Producer's 2008 Crop Records for the Unit **00101** Shows:

REPORTED		REVIEWER DETERMINED
96.0	Planted Acres	96.0
10,560.0	Harvested Production	8,640.0

Reported Average Crop Year Actual Yield: 110

Reviewer Crop Year Actual Yield: 90

Percent Difference: 22% (Compute difference between reported actual yield and reviewer actual yield; divide the difference by reviewer actual yield.)

Error exceeds 5% which results in a **corrected APH** form for the current crop year.

### Corrected APH Form

2002	90.0	A105	90.0	A105
2003	86.0	A98	86.0	A98
2004	85.0	A100	85.0	A100
2005	95.0	A92	95.0	A92
2006	89.0	A115	89.0	A115
2007	94.0	A100	94.0	A100
2008	96.0	<del>A110</del>	96.0	<u>A90</u>
720/7=103			700/7=100	

Percent Difference: 3% (Compute the difference between the approved APH yield and the correct APH yield).

**ATTACHMENT – cont'd**

As the discrepancy results in a difference of 3% and the revision is 5% or less, the correction of the approved yield is made effective for the following crop year.

Review of the Producer's 2008 Crop Records for the Unit **00102** Shows:

REPORTED		REVIEWER DETERMINED
56.0	Planted Acres	56.0
6,160.0	Harvested Production	4,088.0

Reported Average Crop Year Actual Yield: 110

Reviewer Crop Year Actual Yield: **73**

Percent Difference: 51% (Compute difference between reported actual yield and reviewer actual yield; divide the difference by reviewer actual yield.)

Error exceeds 5% which results in a **corrected APH form** for the current crop year.

Corrected APH Form

2002	80.0	A115	80.0	A115
2003	85.0	A88	85.0	A88
2004	95.0	A105	95.0	A105
2005	65.0	A82	65.0	A82
2006	79.0	A135	79.0	A135
2007	84.0	A140	84.0	A140
2008	56.0	<u>A110</u>	56.0	<u>A73</u>
		775/7=111		738/7=105

Percent Difference: 6% (Compute the difference between the approved APH yield and the correct APH yield; divide the difference by the reviewer approved yield).

As the discrepancy results in a difference of 6% and the revision is 5% or greater, the correction of the approved yield is made effective for the current crop year.

**ATTACHMENT – cont'd**

Review of the Producer's 2008 Crop Records for the Unit **00103** Shows:

REPORTED		REVIEWER DETERMINED
106.0	Planted Acres	106.0
11,130.0	Harvested Production	11,024.0

Reported Average Crop Year Actual Yield: 105

Reviewer Crop Year Actual Yield: 104

Percent Difference: 1% (Compute difference between reported actual yield and reviewer actual yield; divide the difference by reviewer actual yield.)

Error does not exceed 5% which results in a corrected **APH form** for the following crop year.

Review of the Producer's 2008 Crop Records for the Unit **00104** Shows:

REPORTED		REVIEWER DETERMINED
65.0	Planted Acres	65.0
5,785.0	Harvested Production	7,540.0

Reported Average Crop Year Actual Yield: 89

Reviewer Crop Year Actual Yield: 116

Percent Difference: 23% (Compute difference between reported actual yield and reviewer actual yield; divide the difference by reviewer actual yield.)

Error exceeds 5% which results in a **corrected APH form** for the current crop year.

**ATTACHMENT – cont'd**

Corrected APH Form

2005	105.0	A93	105.0	A93
2006	83.0	A99	83.0	A99
2007	112.0	A127	112.0	A127
2008	65.0	<u>A89</u>	65.0	<u>A116</u>
		408/4=102		435/4=109

Percent Difference: 6% (Compute the difference between the approved APH yield and the correct APH yield; divide the difference by the reviewer approved yield).

As the discrepancy results in a difference of 6% and the revision is 5% or greater, the correction of the approved yield is made effective for the current crop year.

However, in a loss situation, the liability CANNOT be increased.